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**Audited Financial Statements**

**NATIONAL ASSOCIATION OF CHILD CARE  
RESOURCE AND REFERRAL AGENCIES**

***September 30, 2009***

# National Association of Child Care Resource and Referral Agencies

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T A T E



TRYON

*A Professional Corporation*

*Certified Public*

*Accountants*

*and Consultants*

## Independent Auditor's Report on the Financial Statements

To the Audit Committee  
National Association of Child Care  
Resource and Referral Agencies

We have audited the accompanying statements of financial position of National Association of Child Care Resource and Referral Agencies (the Association) as of September 30, 2009 and 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Tate & Tryon*

Washington, DC  
January 6, 2010

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# National Association of Child Care Resource and Referral Agencies

## Statements of Financial Position

September 30,	2009	2008
<b>Assets</b>		
Cash and cash equivalents - Note B	\$ 4,809,667	\$ 4,248,730
Reserve cash - Note B	1,800,000	1,800,000
Investments - Notes B & C	785,843	844,863
Accounts receivable:		
Federal contracts and grants	6,289,704	6,456,180
Trade receivables, net of allowance	129,381	184,423
Prepaid expenses and other	233,948	136,222
Property and equipment, net - Note D	154,992	195,888
<b>Total assets</b>	<b>\$ 14,203,535</b>	<b>\$ 13,866,306</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,910,847	\$ 1,565,201
Provider payments payable	2,945,290	1,906,773
Other accrued expenses	466,002	467,636
Deferred revenue - Note E	4,883,534	7,700,677
Deferred rent - Note H	207,939	132,503
<b>Total liabilities</b>	<b>11,413,612</b>	<b>11,772,790</b>
<b>Net assets</b>		
Unrestricted net assets	2,762,133	2,060,656
Temporarily restricted net assets - Note F	27,790	32,860
<b>Total net assets</b>	<b>2,789,923</b>	<b>2,093,516</b>
Commitments and contingencies - Note H	-	-
<b>Total liabilities and net assets</b>	<b>\$ 14,203,535</b>	<b>\$ 13,866,306</b>

See notes to the financial statements.  
Certain 2008 amounts have been reclassified for comparative purposes.

# National Association of Child Care Resource and Referral Agencies

## Statements of Activities

Year Ended September 30,	2009	2008
<b>Unrestricted activities</b>		
Revenue		
Federal contracts and grants - Notes B & H	\$ 44,430,048	\$ 30,128,782
NACCRRARware sales and maintenance	779,369	647,108
Corporate grants and contributions	475,534	55,062
Membership revenue	390,660	359,841
Meetings revenue	247,105	357,329
Fee for services	182,714	44,414
Child Care Aware	31,750	52,594
Interest and dividends	25,366	126,596
Other income	3,618	8,918
Net assets released from restrictions	5,070	114,127
Total unrestricted revenue	46,571,234	31,894,771
Expense		
Program services		
Federal contracts and grants	41,889,191	29,343,988
Other programs	1,019,842	227,142
NACCRRARware	899,006	729,697
Public policy	712,632	368,187
Meetings and conferences	459,982	361,072
Membership services	221,011	198,849
Total program services	45,201,664	31,228,935
Supporting services		
General and administrative	300,286	290,562
Fundraising	282,367	246,892
Total supporting services	582,653	537,454
Total expense	45,784,317	31,766,389
Change in unrestricted net assets before net loss on investments	786,917	128,382
Net loss on investments	(85,440)	(310,159)
Change in unrestricted net assets	701,477	(181,777)
<b>Temporarily restricted net assets</b>		
Contributions	-	41,000
Net assets released from restrictions	(5,070)	(114,127)
Change in temporarily restricted net assets	(5,070)	(73,127)
<b>Change in net assets</b>	696,407	(254,904)
Net assets, beginning of year	2,093,516	2,348,420
<b>Net assets, end of year</b>	\$ 2,789,923	\$ 2,093,516

See notes to the financial statements.

Certain 2008 amounts have been reclassified for comparative purposes.

# National Association of Child Care Resource and Referral Agencies

## Statements of Cash Flows

<b>Year Ended September 30,</b>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 696,407	\$ (254,904)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	40,896	43,006
Net loss on investments	85,440	310,159
Changes in assets and liabilities:		
Accounts receivable - federal contracts and grants	166,476	(2,808,026)
Accounts receivable - trade receivables, net	55,042	(31,197)
Prepaid expenses and other	(97,726)	(55,594)
Accounts payable	1,345,646	345,601
Provider payments payable	1,038,517	699,391
Other accrued expenses	(1,634)	12,968
Deferred revenue	(2,817,143)	3,250,161
Deferred rent	75,436	31,097
<b>Total adjustments</b>	<b>(109,050)</b>	<b>1,797,566</b>
<b>Net cash provided by operating activities</b>	<b>587,357</b>	<b>1,542,662</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment, net	-	(15,786)
Purchases of investments, net	(26,420)	(1,155,022)
<b>Net cash used in investing activities</b>	<b>(26,420)</b>	<b>(1,170,808)</b>
<b>Net increase in cash and cash equivalents</b>	<b>560,937</b>	<b>371,854</b>
Cash and cash equivalents, beginning of year	6,048,730	5,676,876
<b>Cash and cash equivalents, end of year</b>	<b>\$ 6,609,667</b>	<b>\$ 6,048,730</b>

See notes to the financial statements.  
Certain 2008 amounts have been reclassified for comparative purposes.

# National Association of Child Care Resource and Referral Agencies

## Notes to the Financial Statements

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: National Association of Child Care Resource and Referral Agencies (the Association) is a not-for-profit corporation organized under the California Nonprofit Public Benefit Corporation Laws on February 17, 1987. The Association's mission is to promote national policies and partnerships to advance the development and learning of all children and to provide vision, leadership and support to community Child Care Resource and Referral. The Association's mission is being met through the following programs.

*Child Care Aware  
Quality Assurance Program  
Early Childhood Focus  
Military Programs  
NACCRRAware  
AmeriCorps CARE / VISTA CARE*

Income taxes: The Association is exempt from Federal income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies under Section 509(a)(2) as an organization other than a private foundation. However, the Association may be subject to tax on its unrelated business income activities.

The Financial Accounting Standards Board has issued transition guidance related to the effective date for the standard regarding the accounting for uncertainty in income taxes. This guidance grants nonpublic organizations the option to defer the effective date of the standard. As permitted by the guidance, the Association has elected to delay the implementation of the standard until year ended September 30, 2010.

Basis of accounting: The Association prepares its financial statements on the accrual basis of accounting. As such, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, the Association considers all highly liquid investments with an original maturity of three months or less as cash equivalents. Reserve cash represents resources designated by the Board of Directors for future use.

Accounts receivable: Trade accounts receivable consists primarily of amounts owed for NACCRRAware and general operations. Accounts receivable are presented in the financial statements net of an allowance for doubtful accounts. The Association's management periodically reviews the status of all accounts receivable balances for collectability, which they determine based on their knowledge of the customer, relationship with the customer, and age of the receivable. As a result of these reviews, allowances are recorded for customer balances deemed to be potentially uncollectible. The allowance for doubtful accounts totaled \$28,246 and \$8,246 at September 30, 2009 and 2008, respectively.

Deferred revenue: Income received in advance for federal contracts, membership dues, software maintenance fees and conference fees is deferred and recognized over the period to which the dues and fees relate.

# National Association of Child Care Resource and Referral Agencies

## Notes to the Financial Statements

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions: Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period. All other donor-restricted support is reported as an increase in temporarily restricted net assets and then reclassified to unrestricted net assets when the restriction expires.

Fee for service contracts: Fee for service contracts are recognized using the percentage of completion method. Revenue is recognized as expenses are incurred based on the estimated total cost of the contract. Money received in excess of revenue recognized is recorded as deferred revenue. Revenue recognized in excess of money received is recorded as accounts receivable.

Functional allocation of expenses: Costs of the Association's various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events: Subsequent events have been evaluated through January 6, 2010.

### B. CONCENTRATIONS

Credit risk: The Association maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portion of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Association.

Market value risk: The Association also invests funds in professionally managed mutual funds. Such investments are exposed to market and credit risks. Given the current turmoil in world financial markets, the Association's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

Sources of revenue: During the years ended September 30, 2009 and 2008 the Association derived approximately 96% of its total support and revenue from grants, contracts and cooperative agreements with agencies of the U.S. government.

# National Association of Child Care Resource and Referral Agencies

## Notes to the Financial Statements

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### C. INVESTMENTS

The Association has implemented the accounting standards topic regarding fair value measurements which establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data; and

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments, recorded at fair value using Level 1 inputs on a recurring basis, consists of mutual funds totaling \$785,843 and \$844,863 at September 30, 2009 and 2008, respectively.

### D. PROPERTY AND EQUIPMENT

Furniture and equipment: Furniture and equipment are stated at cost in the financial statements. Acquisitions greater than \$5,000 are capitalized and then depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years. Expenditures for maintenance and repairs are charged to operations as incurred. Furniture and equipment purchased under federal government contracts and grants, subject to reversion to the government, are expensed as contract costs. Leasehold improvements are amortized over the term of the lease.

Software and implementation costs: Software and implementation costs consist of the Navision accounting and IMIS software and the related implementation costs which are stated at cost in the financial statements. Acquisitions greater than \$5,000 are capitalized and then depreciated using the straight-line method over the estimated useful life of three years.

NACCRRAware development costs: Costs incurred internally in creating the software were charged to expense when incurred as research and development until technological feasibility was established, at which time such costs were capitalized and amortized. Costs are reported at the lower of unamortized cost or net realizable value. Amortization began July 1, 2000, and is provided based on current and future revenue with an annual minimum equal to the straight-line method over an estimated useful life of three years. NACCRRAware development costs have been fully amortized.

# National Association of Child Care Resource and Referral Agencies

## Notes to the Financial Statements

### D. PROPERTY AND EQUIPMENT – CONTINUED

Property and equipment consists of the following at September 30,:

	2009	2008
Furniture and equipment	\$ 563,616	\$ 563,616
Software and implementation costs	186,351	186,351
NACCRRAware development costs	25,000	25,000
Leasehold improvements	53,859	53,859
	<u>828,826</u>	<u>828,826</u>
Less accumulated depreciation and amortization	(673,834)	(632,938)
Total	<u>\$ 154,992</u>	<u>\$ 195,888</u>

### E. DEFERRED REVENUE

Deferred revenue consists of the following at September 30,:

	2009	2008
Federal contracts and grants	\$ 3,353,349	\$ 6,893,143
NACCRRAware	392,291	529,493
Other	1,137,894	278,041
Total	<u>\$ 4,883,534</u>	<u>\$ 7,700,677</u>

### F. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of the following at September 30,:

	2009	2008
Learning Options	\$ 18,429	\$ 18,429
Danville Group	9,361	9,361
Peppercorn Foundation	-	2,145
Daily Parent Newsletter	-	2,425
Professional Development Scholarship	-	500
Total	<u>\$ 27,790</u>	<u>\$ 32,860</u>

# National Association of Child Care Resource and Referral Agencies

## Notes to the Financial Statements

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### F. TEMPORARILY RESTRICTED NET ASSETS – CONTINUED

*Learning Options* funds are to be used in furtherance of the Association's tax-exempt educational purposes.

*Danville Group* funds are to be used to advance leadership development in the CCR&R field.

*Peppercorn Foundation* funds were used to design a federal, state, and local advocacy and media campaign to raise awareness and identify changes to policies for child care disaster preparedness and recovery.

*Daily Parent Newsletter* funds were used for the production and dissemination of information on child care, child health and nutrition, child development, and parenting issues in both English and Spanish.

*Professional Development Scholarship* funds were used to establish a scholarship for an individual exhibiting the characteristics of a future CCR&R leader.

### G. RETIREMENT PLAN

The Association maintains a tax-deferred annuity plan under section 403(b) of the Internal Revenue Code. The plan covers substantially all full-time employees who have completed one month of service by the entry date. Eligible employees may defer a portion of their salary up to applicable IRS limits. Retirement plan expense was \$340,767 and \$205,405 for the years ended September 30, 2009 and 2008, respectively.

### H. COMMITMENTS AND CONTINGENCIES

#### *Federal Contracts and Grants*

The costs relating to federally funded programs are subject to audit by the U.S. government. Program costs include indirect costs, which are allocated to the programs based on their direct labor dollars. The allocation methodologies, as well as the allocated costs, are subject to approval by the funding agency. The ultimate realization of revenue recognized is contingent upon the outcome of such an audit. Management periodically reviews its estimates of allowable and allocable costs based on the results of government audits. Adjustments, if any, that might result from such an audit would not have a material effect on the financial statements.

# National Association of Child Care Resource and Referral Agencies

## Notes to the Financial Statements

### H. COMMITMENTS AND CONTINGENCIES – CONTINUED

#### *Leasing Arrangements*

The Association entered into a lease agreement for office space in Arlington, VA that began July 15, 2005 and expires September 30, 2015. The lease agreement provides for escalations in the base rent.

On June 1, 2008, the Association entered into a lease agreement for additional office space in Arlington, VA that expires August 31, 2013. The lease provides for discounted rent for the first twelve months and escalations in the base rent.

For both leases, rent expense is recognized on a straight-line basis over the term of the lease. The difference between annual rent expense recognized and rent payments made under the terms of the lease is accounted for as a deferred rent obligation. Total expenses for equipment and office rent were \$853,358 and \$642,411 for the years ended September 30, 2009 and 2008, respectively.

Total future minimum lease payments under office and equipment leases are as follows:

2010	761,966
2011	782,012
2012	802,600
2013	788,405
2014	523,649
Thereafter	<u>536,741</u>
	<u>\$ 4,195,373</u>

#### *Line of Credit*

At September 30, 2009, the Association had an unused line of credit of \$500,000 with SunTrust Bank, with an interest rate equal to the bank's LIBOR rate plus 2.5% per annum. The line's expiration date is March 31, 2010.